FINANCE REPORT FOR FINANCE STEERING GROUP, SENIOR MANAGEMENT TEAM AND EXECUTIVE TEAM DISCUSSION

February 2016

GENERAL POINTS

The budget has been updated to reflect the changes agreed at the Finance Steering group in December. This results in a full year budget surplus of £694k down from £737k. We expect, however, to receive £1.7m in fee income in March, compared to forecast of £1.4m, therefore it is likely that the final full year budget surplus will be around £1million. Further work needs to be done to ensure that all budget lines are correct and reconciled and this will be done before year end.

FINANCIAL OVERVIEW & KEY RISK AREAS

DP Income

Year to date DP income is on budget at £16.5m however, as noted above full year DP fee income is more likely to reach £18.3m given the forecast for March income.

FOI Grant in Aid (GIA)

DCMS has now confirmed that for 2015/16, we will be receiving Grant in Aid of £3.75m, rather than the forecasted reduced GIA of £3.7m. This has been reflected in the full year forecast less the administration fine of £18.4k previously discussed in the December report. Our final tranche of GIA for the year has now been received.

Cash Underspend

We currently forecast underspend against our budgeted income of circa £694k after reflecting the following additional activities:

Planned activity:

- Enforcement co-operation event on 21 and 22 March
- Functional Review of Regulators – “Regulatory Futures”
- Some activity around new GDP Regulation

Staff and Recruitment

Staff costs continue to underspend against budget but as anticipated the underspend is narrowing and is now £160k to date. This reflects the fact that we are now operating at close to full FTE complement (within 5.0 of budget). Changes to budget agreed at Finance Steering Group - transfer of underspend on salaries against overspends on training and recruitment arising from accelerated recruitment - have been reflected in this latest budget.

Capital Spend
We have secured a fixed medium term (<5 years) capital budget with DCMS. The allocated IT project budget of £1.215m is due to spend to budget, however there is a small risk that the capital element of this expenditure may not spend the full allocated capital budget of £850k but rather an increased revenue spend. This is being reviewed this month in readiness for the year end. Indications from the finance team are that we will be close to the £850k limit.

Budget Version 2
We have received e-mail confirmation of the BV2 budget, but are unlikely to get this in the form of a formal letter.

Movement of sponsorship from the MOJ to DCMS
Report requests appear to have ceased from MOJ and we are now reporting entirely through DCMS. Our full year spend will be shown entirely in DCMS accounts with DCMS repaying our Grant in Aid to the MOJ.
SH & OA have met with representatives of both the management and financial accounting teams who have been very helpful and are aware of and understand the reasons for our delays in reporting in the last couple of months. We are currently catching up on outstanding reports.

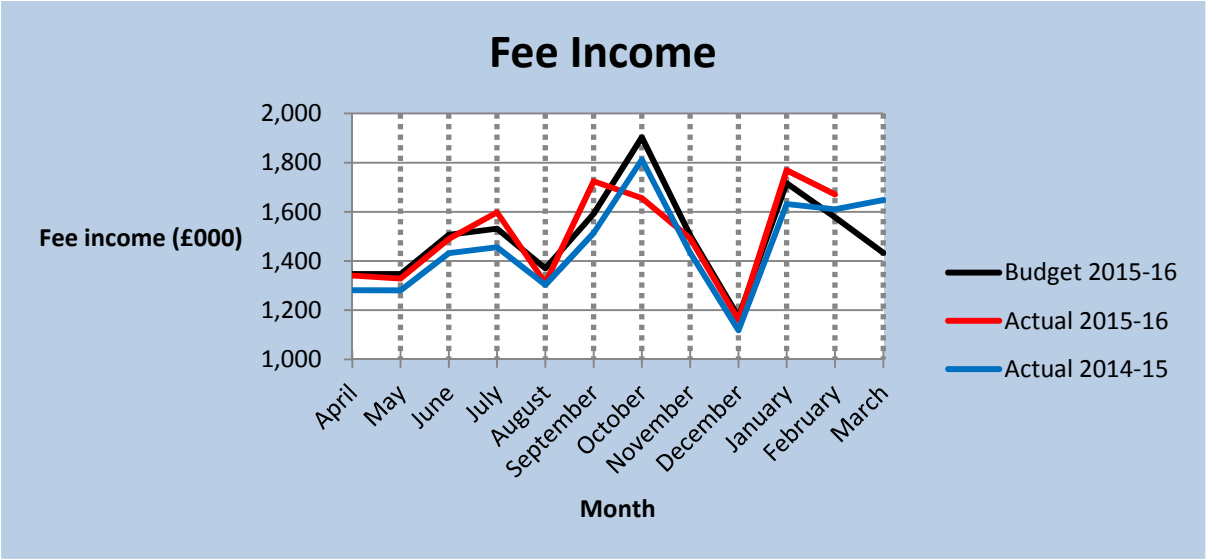
The budget for 2016/17 has been agreed with DCMS, with a three year award for GIA of £3.75m, including £650k capital allowance. We have received e-mail confirmation of these figures and the formal letter from the minister is to follow.

Purchase Management & Finance System
A recent report by Grant Thornton highlighted some internal control issues with these systems to resolve. A plan of action has been drafted and will be implemented as soon as practical following the year end work.

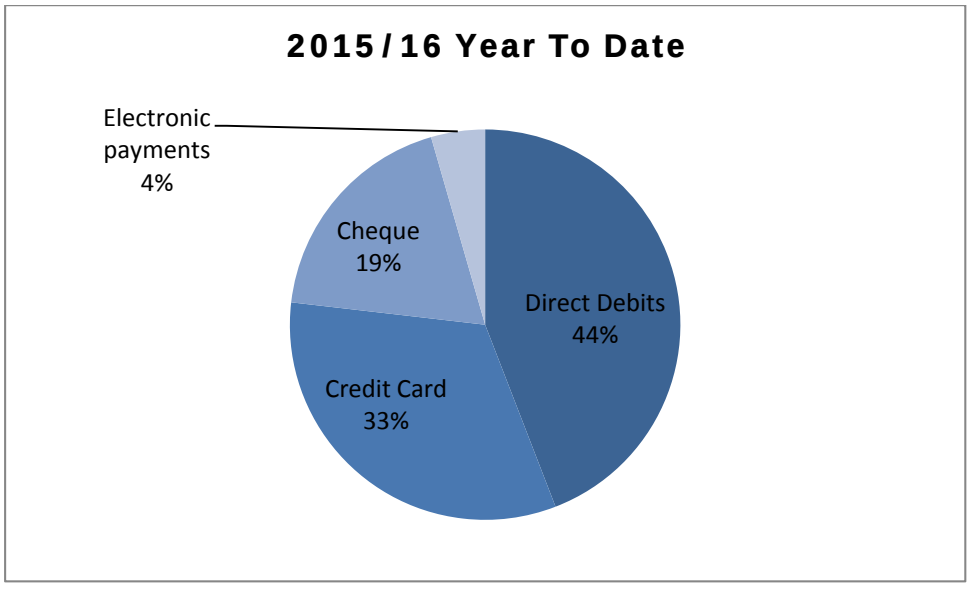
INCOME

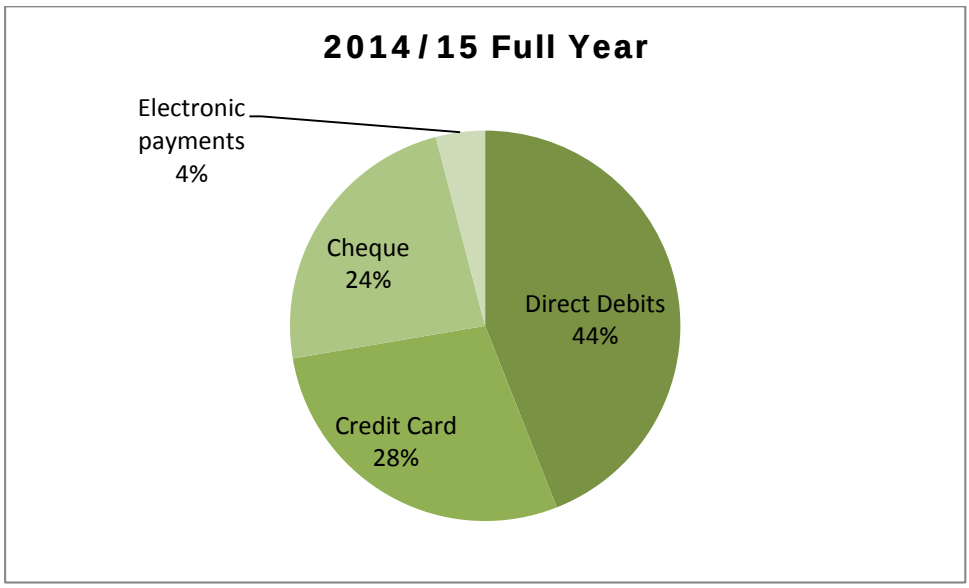
Grant-in-aid for freedom of information activities
The grant-in-aid has now been fully paid for the year. In future, DCMS have expressed a preference to move to monthly drawdowns. This will begin in April 2016 and the first request has been submitted.

Data Protection fees processed
The chart below shows the actuals (red) vs our current budget (black) for the year 2015/16 and compared to the 2014/15 actuals (blue)
February income is £93k ahead of budget leaving us in a healthy position of within 1% of forecasted budget.



The year to date fee payment method split is shown below, showing a definite trend towards credit card payments (↑5%) and away from cheques (↓5%) from the average over 2014/15. Direct Debits remain consistent and direct electronic payments remain the same.





EXPENDITURE

Spending controls

The ICO is complying with the Cabinet Office Spending Controls Guidance v 4.0

https://www.gov.uk/government/publications/cabinet-office-controls/cabinet-office-controls-guidance-version-40

We are also required to obtain specific approval from our sponsor department for any IT or communications spend over £50k for individual projects. We will only be required to report spend over £50k not included in the original budget.

We have applied for the RBS Onecard to replace the MOJ GPC cards using the framework agreement used by DCMS. HD indicated that Cabinet Office approval had been sought, however we have yet to find confirmation of this – it may be we are relying on the DCMS framework approval.

It should be noted that there is still significant uncertainty over the spending controls that the ICO is subject to. Finalising the Management Agreement with DCMS will go some way to resolving this, but more work is needed to ensuring the ICO has a complete and up to date list of spending controls to ensure we are compliant.

Total office costs

Overall office costs are within budget.

There are some over and under spends in individual categories. This is due, in part, to the new purchase management system. Items are now

coded directly by budget holders rather than finance resulting increased costs against some lines. As an example, cleaning products would have previously been coded under general equipment, but are now coded as cleaning, resulting in an overspend on that budget line. This will lead us to a more accurate budget in future years but does present as an overspend in traditionally contract only areas such as cleaning, security and waste.

Total staff FTE report and costs

Staff costs are £160k (1.2%) under budget for February (Jan: £172k). This reduction reflects the budget virements which have offset training and recruitment overspend in the period, rather than increased staff costs.

Training and Recruitment

Total training and recruitment is over budget by £11k after the virement between staff costs and these headings.

IT Costs – Service Delivery & IT projects

Across the total service delivery and IT projects budgets of £3.1m year to date, actual spend of £3.2m represents a small overspend of 0.9% which may relate to accelerated payments to ensure costs reflected before year end. A full review will be undertaken in this area to ensure the year end position is accurate, as we have prepaid a number of contracts for the forthcoming year.

As with previous years, work will be undertaken by finance, in conjunction with Business Development, to review capital spend in preparation for year end. The current system of Finance reviewing capital only at year end makes it very difficult for Business Development to accurately report on capital expenditure. Therefore it is proposed that in future, costs will be capitalised each month in order that we can monitor both the total project spend and spend against our capital delegated limit (set at £650k for 2016/7).

Communications Spend

Due to the seasonal nature of the communications spend especially within campaigns, print and conferences we expect to see a deviation to the profiled budget. This will continue to improve as the months move on and we can profile more accurately.
The majority of the overspend year to date is analysed as: £20k on media monitoring, £23.7k – costs relating to the privacy seals project to be re-coded, and £38.7k conference income not yet received. It is likely that there are other costs to be prepaid – e.g. for the SME conference in April.

Banking, finance & audit costs

The finance costs overspend relates to GPC card expenditure - £42.5k, for which we have received an invoice from MOJ, but have not yet allocated to the accounts – posted to card processing costs. This will, once allocated, offset the underspend on staff travel.

Staff travel

With the GPC card adjustment above, staff travel is underspent by 7% of budget, potentially due to the decrease of executive travel following both deputy commissioners leaving in October and November.

Legal, professional & other

Legal & other costs are under budget by £165k, the majority of which is due to a £94k underspend on legal, £18k underspend on privacy seals (of which it appears £23.5k is to be recoded from communications as outlined above) and £26k on professional services. Legal and research budgets fluctuate based on caseload.

Staff recognition budgets have been made available at £20pp for each department, total £8.7k. There is little spend to date, however we are aware of a number of activities taking place in March.

CAPITAL EXPENDITURE

This is included within the IT project expenditure and is currently being analysed out for year end purposes. Moving forward we will monitor this spend each month.

Civil Monetary Penalties

The current debtor of CMPs owed to the ICO as at 29 February 2016 is £964,510

B/f 2014-15	*142,500*
Issued penalties gross	1,671,250
Issued penalty increase post appeal	-
Issued prompt payment discount	(140,250)
Net	**1,673,500**
Receipts	(633,990)
Impaired	(75,000)
Balance	**964,510**

The creditor due to MOJ in respect of the above is £1,300,110 of which £323,890 was remitted in March.

Prompt Payment Statistics

We have been unable to locate the report to update these statistics.

We expect there to have been a blip in February, due to issues surrounding the closure of our Citibank account and transfer to RBS, causing a delay to some supplier payments by up to 2 weeks, however that situation is now resolved.

As at December 2015:

Number Invoices April - December	2989	
Number invoices paid within 5 days	899	30%
Number invoices paid within 30 days	2862	96%
Number invoices paid greater 30 days	127	4%

Simon Entwisle
February 2016

MANAGEMENT REPORT
ICO SUMMARY
For the Eleven Months Ending 29 February 2016

	Year To Date				Full Year			
	BV2 JAN 16 (£)	Actual	Variance	Var %	BV2 JAN 16 (£)	Forecast (£)	Variance	Var %
GRANT IN AID	3,750,000	3,730,768	19,232	0.5%	3,731,600	3,712,368	19,232	1.%
DP FEE INCOME	16,567,011	16,538,493	28,519	0.2%	18,000,000	17,971,482	28,519	0.%
DRIPA INCOME	330,000	302,500	27,500	8.3%	330,000	302,500	27,500	8.%
BANK INTEREST	0	168	-168	-	0	168	-168	0.%
TOTAL INCOME	**20,647,011**	**20,571,928**	**75,083**	**0.4%**	**22,061,600**	**21,986,517**	**75,083**	**0.%**
Income check	*-20,647,011*	*-20,571,928*	*-75,083*	*0.4%*	*-22,061,600*	*-21,986,517*	*-75,083*	*0.%*
RENT	689,308	674,613	14,694	2.1%	751,972	737,278	14,694	2.%
RATES & BUILDING INSURANCE	218,851	218,473	378	0.2%	236,184	235,806	378	0.%
SERVICE CHARGES	28,028	32,174	-4,146	(14.8%)	30,576	34,722	-4,146	(14.%)
CAR PARKING	97,823	98,327	-504	(0.5%)	106,716	107,220	-504	(0.%)
HEAT & LIGHT	81,400	74,155	7,245	8.9%	89,100	81,855	7,245	8.%
WATER	14,663	13,493	1,170	8.0%	16,000	14,830	1,170	7.%
CLEANING	47,667	57,713	-10,046	(21.1%)	52,000	62,046	-10,046	(19.%)
SECURITY	44,896	54,373	-9,477	(21.1%)	48,432	57,909	-9,477	(20.%)
WASTE	3,718	5,042	-1,324	(35.6%)	4,056	5,380	-1,324	(33.%)
STORAGE	12,716	16,787	-4,071	(32.0%)	13,872	17,943	-4,071	(29.%)
REPAIRS & MAINTENANCE	81,836	84,346	-2,511	(3.1%)	89,275	91,786	-2,511	(3.%)
MOTOR COSTS	1,837	1,202	635	34.6%	2,000	1,365	635	32.%
KITCHEN	28,708	36,051	-7,343	(25.6%)	31,500	38,843	-7,343	(23.%)
FURNITURE	12,516	17,149	-4,633	(37.0%)	13,472	18,105	-4,633	(34.%)
GENERAL EQUIPMENT	49,587	7,200	42,387	85.5%	55,000	12,613	42,387	77.%
STATIONERY	27,500	36,601	-9,101	(33.1%)	30,000	39,101	-9,101	(30.%)
POSTAGE	55,775	55,936	-161	(0.3%)	60,845	61,007	-161	(0.%)
DOCUMENT DESTRUCTION	9,163	5,783	3,380	36.9%	10,000	6,620	3,380	34.%
TOTAL OFFICE COSTS	**1,505,991**	**1,489,419**	**16,572**	**1.1%**	**1,641,001**	**1,624,429**	**16,572**	**1.%**

For the Eleven Months Ending 29 February 2016

	Year To Date				Full Year			
	BV2 JAN 16 (£)	Actual	Variance	Var %	BV2 JAN 16 (£)	Forecast	Variance	Var %
SALARIES	10,101,496	9,892,316	209,181	2.1%	11,053,524	10,844,343	209,181	2.%
OVERTIME	73,333	90,812	-17,479	(23.8%)	80,000	97,479	-17,479	(22.%)
PENSION	2,102,094	1,986,837	115,258	5.5%	2,299,636	2,184,379	115,258	5.%
NATIONAL INSURANCE	707,535	683,924	23,612	3.3%	774,177	750,565	23,612	3.%
AGENCY STAFF	0	313,779	-313,779	-	0	313,779	-313,779	0.%
SECONDMENT SALARIES INCOME	0	-111,242	111,242	-	0	-111,242	111,242	0.%
SECONDMENT PENSION INCOME	0	-23,149	23,149	-	0	-23,149	23,149	0.%
SECONDMENT NATIONAL INSURANCE INCOME	0	-9,444	9,444	-	0	-9,444	9,444	0.%
NON EXEC BOARD MEMBER	46,292	46,362	-70	(0.2%)	50,500	50,570	-70	(0.%)
TOTAL STAFF COSTS	**13,030,751**	**12,870,194**	**160,557**	**1.2%**	**14,257,837**	**14,097,280**	**160,557**	**1.%**
RECRUITMENT	67,837	68,380	-543	(0.8%)	72,000	72,543	-543	(1.%)
HEALTH & SAFETY	32,913	40,503	-7,590	(23.1%)	35,000	42,590	-7,590	(22.%)
FURTHER EDUCATION	1,870	0	1,870	100.0%	2,000	130	1,870	94.%
TRAINING COURSES	48,325	56,359	-8,034	(16.6%)	54,104	62,138	-8,034	(15.%)
MANAGEMENT DEVELOPMENT	23,500	19,878	3,622	15.4%	25,500	21,878	3,622	14.%
TOTAL TRAINING AND RECRUITMENT	**174,445**	**185,120**	**-10,675**	**(6.1%)**	**188,604**	**199,279**	**-10,675**	**(6.%)**
HOSTING, WEB AND TELEPHONY	651,663	670,779	-19,116	(2.9%)	719,997	739,113	-19,116	(3.%)
APP & DESKTOP SUPPORT	623,337	673,634	-50,297	(8.1%)	680,000	730,297	-50,297	(7.%)
SOFTWARE LICENSING	261,250	325,995	-64,745	(24.8%)	285,000	349,745	-64,745	(23.%)
SECURITY CONTRACT	42,000	31,703	10,297	24.5%	50,000	39,703	10,297	21.%
NOTIFICATION PRINTING	142,087	196,667	-54,580	(38.4%)	155,000	209,580	-54,580	(35.%)
MANAGED PRINT	38,709	52,193	-13,484	(34.8%)	42,231	55,715	-13,484	(32.%)
HARDWARE MAINTENANCE	73,337	47,577	25,760	35.1%	80,000	54,240	25,760	32.%
GOV SECURE INTERNET	119,130	72,636	46,494	39.0%	130,000	83,506	46,494	36.%
TELEPHONY CALLS & BROADBAND	84,337	158,549	-74,212	(88.0%)	92,000	166,212	-74,212	(81.%)
TOTAL IT COSTS	**2,035,850**	**2,229,733**	**-193,883**	**(9.5%)**	**2,234,228**	**2,428,111**	**-193,883**	**(9.%)**

For the Eleven Months Ending 29 February 2016

	Year To Date				Full Year			
	BV2 JAN 16 (£)	Actual	Variance	Var %	BV2 JAN 16 (£)	Forecast	Variance	Var %
ICE CRM DEVELOPMENT	210,000	193,632	16,368	7.8%	250,000	233,632	16,368	7.%
FINANCE SYSTEM	0	5,384	-5,384	-	0	5,384	-5,384	0.%
MOBILE WORKING SOLUTIONS	0	42,579	-42,579	-	0	42,579	-42,579	0.%
DOCUMENT STORAGE SOLUTION	90,000	2,206	87,794	97.5%	100,000	12,206	87,794	88.%
DIGITAL DELIVERY	205,000	204,286	714	0.3%	250,000	249,286	714	0.%
INFRASTRUCTURE	270,000	383,049	-113,049	(41.9%)	300,000	413,049	-113,049	(38.%)
OTHER PROJECT WORK	285,000	150,529	134,471	47.2%	315,000	180,529	134,471	43.%
TOTAL PROJECT SPEND (INC CAPITAL)	**1,060,000**	**981,666**	**78,334**	**7.4%**	**1,215,000**	**1,136,666**	**78,334**	**6.%**
CAMPAIGNS, MEDIA RELATIONS & PR	44,250	70,157	-25,907	(58.5%)	48,000	73,907	-25,907	(54.%)
MEDIA MONITORING	66,300	93,122	-26,822	(40.5%)	72,000	98,822	-26,822	(37.%)
DESIGN & PRINT	61,400	64,752	-3,352	(5.5%)	67,000	70,352	-3,352	(5.%)
DISTRIBUTION	22,500	21,333	1,167	5.2%	25,000	23,833	1,167	5.%
SURVEYS	36,100	36,894	-794	(2.2%)	41,000	41,794	-794	(2.%)
CONFERENCES	177,793	222,634	-44,841	(25.2%)	231,000	275,841	-44,841	(19.%)
CONFERENCE INCOME	-50,000	-11,254	-38,746	77.5%	-50,000	-11,254	-38,746	77.%
ICON DEVELOPMENT	4,510	5,178	-668	(14.8%)	5,000	5,668	-668	(13.%)
STAFF EVENTS	28,500	29,195	-695	(2.4%)	29,000	29,695	-695	(2.%)
WEB MAINTENANCE	47,300	51,010	-3,710	(7.8%)	51,000	54,710	-3,710	(7.%)
TOTAL COMMUNICATIONS	**438,653**	**583,021**	**-144,368**	**(32.9%)**	**519,000**	**663,368**	**-144,368**	**(28.%)**
BANK CHARGES	36,667	30,777	5,890	16.1%	40,000	34,110	5,890	15.%
CARD PROCESSING CHARGES	69,300	104,859	-35,559	(51.3%)	75,600	111,159	-35,559	(47.%)
EXTERNAL AUDIT	27,500	27,500	0	-	30,000	30,000	0	0.%
INTERNAL AUDIT	34,254	31,712	2,542	7.4%	37,368	34,826	2,542	7.%
TOTAL FINANCIAL COSTS	**167,721**	**194,848**	**-27,128**	**(16.2%)**	**182,968**	**210,096**	**-27,128**	**(15.%)**
TRAVEL UK	355,348	298,514	56,834	16.0%	390,000	333,166	56,834	15.%
TRAVEL COSTS RECOVERED - UK	0	-5,772	5,772	-	0	-5,772	5,772	0.%
TRAVEL OVERSEAS	51,674	58,015	-6,341	(12.3%)	55,000	61,341	-6,341	(12.%)
TRAVEL COSTS RECOVERED - OVERSEAS	0	-14,778	14,778	-	0	-14,778	14,778	0.%
TOTAL TRAVEL	**407,022**	**335,979**	**71,043**	**17.5%**	**445,000**	**373,957**	**71,043**	**16.%**

For the Eleven Months Ending 29 February 2016

	Year To Date				Full Year			
	BV2 JAN 16 (£)	Actual	Variance	Var %	BV2 JAN 16 (£)	Forecast	Variance	Var %
LEGAL	266,814	173,046	93,768	35.1%	299,500	205,732	93,768	31.%
LEGAL COSTS RECOVERED	0	-7,289	7,289	-	0	-7,289	7,289	0.%
LIBRARY & SUBSCRIPTIONS	72,864	60,270	12,594	17.3%	79,500	66,906	12,594	16.%
PROFESSIONAL SUBS	12,415	17,694	-5,279	(42.5%)	13,544	18,823	-5,279	(39.%)
SUBSISTANCE	0	222	-222	-	0	222	-222	0.%
RESEARCH	45,000	36,931	8,069	17.9%	50,000	41,931	8,069	16.%
PRIVACY SEALS	24,440	6,170	18,270	74.8%	30,000	11,730	18,270	61.%
DP REGULATION FUTURES PROJECT	20,000	0	20,000	100.0%	20,000	0	20,000	100.%
PROFESSIONAL SERVICES	167,451	141,286	26,165	15.6%	182,500	156,335	26,165	14.%
STAFF RECOGNITION	8,700	1,896	6,804	78.2%	8,700	1,896	6,804	78.%
OTHER	0	21,666	-21,666	-	0	21,666	-21,666	0.%
TOTAL LEGAL, PROFESSIONAL & OTHER	**617,684**	**451,891**	**165,793**	**26.8%**	**683,744**	**517,951**	**165,793**	**24.%**
TOTAL COSTS	**19,438,116**	**19,321,870**	**116,246**	**0.6%**	**21,367,382**	**21,251,136**	**116,246**	**1.%**
Cost Check	*19,438,116*	*19,321,870*	*116,246*	*0.6%*	*21,367,382*	*21,251,136*	*116,246*	*1.%*
SURPLUS	**1,208,895**	**1,250,058**	**-41,163**	**(3.4%)**	**694,218**	**735,381**	**-41,163**	**(6.%)**

FTE Staff Analysis

Permanent Staff Band A	9.6	8.6	1.0	0.1	9.6
Permanent Staff Band B	34.7	26.0	8.7	0.3	34.7
Permanent Staff Band C	122.9	90.4	32.6	0.3	122.9
Permanent Staff Band D	92.9	125.1	(32.2)	(0.3)	92.9
Permanent Staff Band E	99.3	94.8	4.5	0.0	99.3
Permanent Staff Band F	42.4	48.5	(6.1)	(0.1)	42.4
Permanent Staff Band G	12.0	12.0	0.0	0.0	12.0
Permanent Staff Band H	3.0	1.0	2.0	0.7	3.0
Agency Staff Band B	0.0	3.0	(3.0)	0.0	0.0
Agency Staff Band C	0.0	0.8	(0.8)	0.0	0.0
Agency Staff Band D	0.0	1.0	(1.0)	0.0	0.0
Agency Staff Band G	0.0	0.6	(0.6)	0.0	0.0
Total Staff	416.8	411.8	5.0	0.0	416.8